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SUBJECT: IZHORA STEEL WORKS NEEDS INVESTMENT TO REALIZE RUSSIA'S CIVIL NUCLEAR PLANS

REF: MOSCOW 851

**¶11.** (SBU) Summary: The Izhora Steel Works currently is Russia's only producer of nuclear power plant equipment sets for Russia's 1000 megawatt pressurized light water reactors (VVER). Although Izhora claims it can meet current plans for domestic and international nuclear construction, it needs at least 15 billion rubles (441 million USD) to upgrade its capacity to do so. Izhora officials did not believe that Rosatom's proposed reestablishment of Atomstroy to produce additional nuclear sets was feasible. End Summary.

**¶12.** (U) First Deputy Director General Vladimir Lebedev was initially confrontational during an April 23 meeting with EST Off and EST/DOE LES at the Izhora Steel Works, located approximately 20 kilometers south-east of Saint Petersburg in Kolpino. Flanked by Technical Director Yuriy Gordiyenkov and two other Izhora managers, Lebedev questioned why the Embassy was interested in Izhora's capabilities and plans. Once mollified that the visit was purely to understand Izhora's capabilities to support Russia's nuclear construction plans, Lebedev summarized Izhora Steel Work's history and accomplishments. Founded by Peter the Great in 1722, Izhora was the Soviet Union's second largest machine building plant, with over 30,000 workers. Since 1954, Izhora has produced 45 nuclear power plant (NPP) equipment sets, including reactor vessels and steam generators. Lebedev complained that Izhora's ruin began with the 1992 privatization that broke the firm up into different enterprises. The largest remaining parts of the original organization are the Metallurgical and Processing plant, the Casting Plant, and the Mining Equipment Production Plant. Lebedev recalled that Izhora survived the difficult years after 1992 thanks to orders from Russia's international nuclear construction firm, Atomstroyexport, for nuclear reactor sets for Iran's Bushehr NPP and other overseas construction.

**¶13.** (SBU) Lebedev initially claimed that Izhora will be able to produce all the required equipment for the planned and projected reactor projects under both the domestic Federal Targeted Program (FTP) for nuclear power plant construction as well as Atomstroyexport's international commitments, with Izhora ready to produce four complete sets per year. However, he later admitted that Izhora's capacities were "not without limits" and that it can only produce two sets per year with its current assets. (Embassy Note: The current FTP provides for two reactors to be constructed in Russia each year through 2013 and three per year thereafter. With Atomstroyexport's contracts to build eleven reactors in various overseas locations (reftel), nineteen reactors would need to be begun/constructed over the next five years, requiring at least four sets per year. End Note.) Responding to EST Off, Lebedev commented that at least 15 billion rubles (441 million USD) would be required to upgrade Izhora's capacity. However, he gave no indication that there were any actual plans to acquire such investment or increase

Izhora's capacity.

14. (SBU) EST Off asked about Rosatom's recent acquisition of shares in Atommasch, the other firm that produced reactor sets in Soviet times. Lebedev stressed that this is an "adventure" being pursued by Rosatom's "young Turks." He commented that "there was hardly anyone in the hierarchy at Rosatom/ Atomenergoprom who even remembered the old Atommasch." In addition, Lebedev said that Atommasch, even in its best year, never reached its goal of producing six sets of NPP equipment and "hasn't produced any sets in the last twenty years." He stated that it would be practically impossible to reorganize and reestablish Atommasch and any investments directed to do so will be stolen and/or lost. Lebedev made it clear that Izhora will not provide any help to Rosatom in this undertaking.

15. (SBU) EST Off and EST/DOE LES were given a tour of Shop 34, the welding and assembly building, where reactor and other pressure vessels are assembled. During the tour, the shop's chief engineer commented that all of the more modern equipment was from Italy and Germany, but that he would really like to buy modern U.S. steel forming and welding machines. He also mentioned that the plant was running "flat out" with no capacity left idle that could produce more nuclear vessels. (Comment: The building was in a poor state of maintenance and a blend of fairly modern pieces of equipment in a 1950's environment. End Comment.)

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